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TAGS: [PGOV](#) [GM](#)
SUBJECT: GERMANY'S GRAND COALITION: THE RETURN OF POLITICS

REF: BERLIN 846 AND PREVIOUS

Classified By: Acting PolCouns John Lister. Reason: 1.4(b) and (d)

¶1. (U) Summary. After a winter and early spring in which the internal troubles of the SPD provided almost the only domestic headlines, politics returned to Germany in May as the government turned its attention to a series of domestic issues: passage of an anti-discrimination law and tax hikes (both on the rich and for all through the VAT), reform of the health care system, and amendments to the Hartz IV unemployment insurance scheme. Dealing with these contentious issues, after a "honeymoon" spent demonstrating the viability of the Grand Coalition, has prompted new debate within the coalition and cost the government and the Chancellor a significant measure of support according to polls. Striking, too, is the beginning of sniping at the government from CDU Ministers-President in several western states. While acknowledging that partisan feeling has risen, contacts in the parties, government, and Bundestag have told us that they see nothing dramatic in these developments, that work of both the cabinet and parliament continues to be professional and largely non-partisan, and that until at last 2008 they see no real threats to the Grand Coalition's stability and survivability. The principle "condemned to success" continues to guide top-level thinking, we are assured. End Summary.

The Domestic Agenda: A Recipe for Strife

¶2. (U) For its first four months, the Grand Coalition and Chancellor Merkel carefully avoided contentious domestic issues, focusing on foreign affairs and preparing for state elections in east and west. With these behind it, the government in May passed a VAT hike, called the largest tax hike in German history -- a step that was bound to cause it trouble. In addition, the Bundestag passed an anti-discrimination law that has particularly hurt the CDU/CSU side of the coalition. During the election the CDU/CSU had promised not to pass a law that would exceed European Union requirements, but it ended up agreeing to a law that went so far that it pleases even the Greens, according to a Green staffer. These two deeds precipitated a slide in the government's and Chancellor's poll standings.

¶3. (C) At the end of May, the monthly "Deutschland Trend" poll by Infratest-Dimap showed a nine percent fall in satisfaction with the government since early May, from 40 percent to 31 percent. Satisfaction with Chancellor Merkel fell by the same amount, to 63 percent -- still very high. A May 28 poll for Welt am Sonntag, which sought to measure confidence in the government, showed similar drops. Only 33 percent believed the government could resolve Germany's problems and only 36 percent thought Angela Merkel was a strong Chancellor (vice 42 percent in the fall). However, Juergen Hofrichter, Director of Election research for

Infratest-Dimap found little surprising in the numbers. The tax increase in particular, was the likely source of much of the unhappiness and he saw, at this point, nothing that could be identified as a definite trend. He noted in particular the ambivalent public attitudes toward government as a whole: In a May Deutschland Trend poll, 58 percent said they "rather agreed with" both of the following: 1) that the Grand Coalition isn't solving problems any more than the old government and, 2) that only a Grand Coalition can carry out necessary reforms. Further muddying the picture, 52 percent in May said the coalition had been performing well.

14. (C) Beyond the direct effects on public opinion, the anti-discrimination package and aspects of the federalism reform and Hart IV led notably to criticism from CDU Ministers-President including Roland Koch (Hesse), Christian Wulff (Lower Saxony), and Juergen Ruettgens (North Rhine-Westphalia) that the SPD was getting its way too much in government councils. Michael Guentner, Office Director for CDU/CSU Bundestag Caucus leader Volker Kauder (a Merkel ally) has told us that the CDU is suffering from a delayed realization that the election victory was far from complete -- the CDU/CSU and SPD are virtually equal partners in government. Even though the CDU may hold the Chancellor's office, Angela Merkel and the party have to be willing to make significant compromises. SPD Vice-Chancellor Muentefering also leapt to the Chancellor's defense, calling on CDU state leaders to support their Chancellor. Though this was at first seen as a sign of SPD-CDU/CSU conflict, Merkel has since admitted that she was aware in advance of Muentefering's remarks. It is too early at this stage to tell how much this strife will affect the public standing of the Grand Coalition. However, CDU staffer Olav Goehs was sanguine -- seeing party tactical considerations behind the CDU Minister-Presidents' maneuverings and a predictable rise in partisanship between SPD and CDU/CSU now that they have both established the basic workability of the coalition and have begun to deal with more contentious issues.

Impact on Government: Allegedly Minimal

15. (C) Despite the acknowledged strains -- hyped by media focus -- the government has continued to function well. Both Guentner and SPD HQ official Engel offered us variants of the argument that, for both sides, the coalition must succeed if the parties are to mount a credible campaign for outright victory in 2009. Relations between Kauder and his SPD counterpart, Peter Struck, remain excellent, and substantive discussions between the Union and SPD caucuses are not ideologically driven, according to Guentner. Both Guentner and Engel also acknowledge that the government is benefiting from a rare, extended period (March 2006 to spring 2008) without major competitive elections, which facilitates non-partisan cooperation. For example, the Office Director for Minister of State Hildegard Mueller, responsible for Health Reform, reports that cabinet negotiations are making steady progress in a dispassionate, businesslike atmosphere with both sides showing the will to find a compromise. The Hartz IV issue is still unresolved and will not be tackled in depth until after the summer break, but our contacts also assert that a compromise will be found. While there had been speculation that some states might seek to block the new Anti-Discrimination law in the Bundesrat, the CDU's Goehs has reported that all will vote for it, though some will offer a rare explanation of their vote. The media are also reporting that SPD Bundestag Caucus leader Struck now believes the federalism reform package can be passed by the government before the summer recess, as originally planned.

Stable Government

16. (C) 2006 was likely to be the year in which over-optimistic public expectations of the Grand Coalition fell. However, read all together, the poll results do not suggest a permanent or catastrophic loss of support for the government -- Chancellor Merkel's personal rankings in

particular remain quite good. The widespread view that the sinking polls, the rise in public partisanship, and the maneuverings of CDU "state princes" are normal and were to be expected is also enabling the government and parliamentary leaders to respond calmly and to carry on with business as normal. We see little on the horizon that can be considered likely to pose a serious challenge to government stability for the balance of 2006 and into 2007. The real tests seem likely to come, according to the SPD's Engel and others, in late 2007 when political leaders begin to focus on the important state elections in spring 2008.

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